

VZCZCXRO8084
PP RUEHDBU
DE RUEHNT #1265 1911138
ZNY CCCCC ZZH
P 101138Z JUL 07
FM AMEMBASSY TASHKENT
TO RUEHC/SECSTATE WASHDC PRIORITY 8104
INFO RUEHAAH/AMEMBASSY ASHGABAT 3125
RUEHTA/AMEMBASSY ASTANA 9264
RUEHEK/AMEMBASSY BISHKEK 3738
RUEHDBU/AMEMBASSY DUSHANBE 3600
RUEHBUL/AMEMBASSY KABUL 1878

C O N F I D E N T I A L TASHKENT 001265

SIPDIS

SIPDIS

E.O. 12958: DECL: 07/10/2017

TAGS: ENRG PREL AF UZ

SUBJECT: UZBEKS AND AFGHANS SIGN FOLLOW ON ELECTRICITY DEAL;
TRANSPORTATION AGREEMENT EXPECTED

REF: 06 TASHKENT 2172

Classified By: CDA Brad Hanson for reasons 1.4 (b) and (d).

¶1. (C) Summary: Uzbekistan reportedly has agreed to supply 150 megawatts of electricity a year to Afghanistan starting in 2008 and 300 megawatts a year by the end of 2009. Uzbekistan declined a \$25 million loan to help finance the upgrade of power lines between the Talimarjan Power Plant and the Uzbek-Afghan, claiming that the funds needed for the upgrade have been included in the budget for 2008. A major Afghan delegation is expected in Tashkent in mid-July to reach agreement on the opening of an Uzbek rail office in Hayraton, and to discuss the possibility of establishing air transportation between Kabul and Tashkent. Post suspects that the Uzbeks will continue to seek international donor financing to upgrade the power lines. Likewise, while opening a rail office potentially provides Afghanistan with increased access to Central Asia's rail system, significant Uzbek customs and security barriers to Afghan trade remain in place. End summary.

¶2. (C) Afghanistan's Minister of Energy Ismael Khan visited Tashkent June 26 for further discussions with Uzbekenergo on supplying Kabul with electricity. Afghan Embassy Commercial Attache Mohammad Kargar told Poloff that during the visit, Khan and Uzbekenergo Chairman Botir Teshabaev reached agreement whereby Uzbekenergo will supply Afghanistan with 150 megawatts of electricity a year starting in 2008. This amount will go up to 300 megawatts annually by the end of ¶2009. Kargar said that discussions of pricing issues were deferred to a later date.

¶3. (C) Kargar said that as part of the deal, Uzbekenergo agreed to upgrade approximately 80 miles of power lines between the Talimarjan Power Plant and Surkhan Substation on the Uzbek-Afghan border at its own expense. Kargar said that the Afghan Energy Ministry offered Uzbekenergo \$25 million in loans to jump start the work, but Teshabaev declined the offer, saying that funding for the upgrades had been included in Uzbekenergo's 2008 budget plans. Kargar said that Khan also explored the idea of an agreement allowing the Afghans to send electricity purchased from Kyrgyzstan to Kabul via Uzbek power lines. He said that the Uzbeks showed little interest in such an agreement.

¶4. (C) Kargar said that a major Afghan delegation will visit Tashkent July 17-19 to discuss various trade issues. Currently, Afghanistan's annual trade with Uzbekistan totals approximately \$162 million, much less than its \$1.5 billion annual trade turnover with Pakistan. Kargar expected that the Afghan delegation will reach agreement with the Uzbeks to open an Uzbek Railway Company office in Hayraton, Afghanistan, which he said should make it easier for Afghan

goods to enter or transit Uzbekistan via rail. The two sides also are expected to discuss the possibility of establishing direct air connections between Tashkent and Kabul.

15. (C) Comment: Financing the upgrades between Talimarjan and the Uzbek-Afghan border was a major source of contention during Khan's November 2006 visit to Tashkent (reftel), with the Uzbeks demanding that one of the international financial institutions or other international donors foot the bill. Despite declining Khan's \$25 million loan offer, probably out of pride, according to Kargar, the Uzbeks still have to come up with the money. It is possible that Uzbekistan will indeed foot the estimated \$150 million bill, as Afghanistan represents a significant potential market for increased electricity exports, but we doubt it. The opening of an Uzbek rail office in Hayraton is a positive step, as it potentially provides Afghanistan with increased access to Central Asia's railway systems, reducing the time and costs of bringing Afghan goods to market in Russia and elsewhere. Unfortunately, significant Uzbek import, customs, and security barriers probably will remain in place, ultimately making this development less positive than it might otherwise be. As for direct air links between Kabul and Tashkent, we note direct air links between Dushanbe and Tashkent have been discussed occasionally for 15 years and still do not exist.

HANSON